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May 2, 2011



VIA HAND DELIVERY

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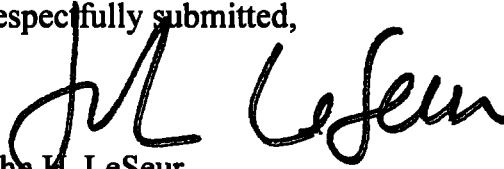
Re: STB Finance Docket No. 35506, *Petition of the Western Coal Traffic
League for A Declaratory Order*

Dear Ms. Brown:

Enclosed for filing in the above-referenced proceeding, please find an
executed original and ten (10) copies of the Petition of the Western Coal Traffic League for
a Declaratory Order. Also enclosed is the requisite filing fee.

Please date stamp the extra copy of this cover letter and the enclosed duplicate
filing and return it to our messenger. Thank you for your attention to this matter.

Respectfully submitted,


John M. LeSeur
An Attorney for
Western Coal Traffic League

Enclosures

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**SURFACE
TRANSPORTATION BOARD**

FILED

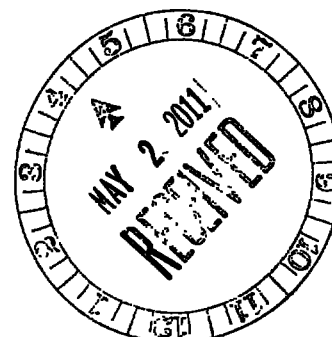
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**SURFACE
TRANSPORTATION BOARD**

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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Finance Docket No. 35506



**PETITION OF THE WESTERN COAL TRAFFIC LEAGUE FOR A
DECLARATORY ORDER**

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Public Record**

OF COUNSEL:

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Dated: May 2, 2011

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**Attorneys for
Western Coal Traffic League**

FILED

MAY 2 2011

**SURFACE
TRANSPORTATION BOARD**

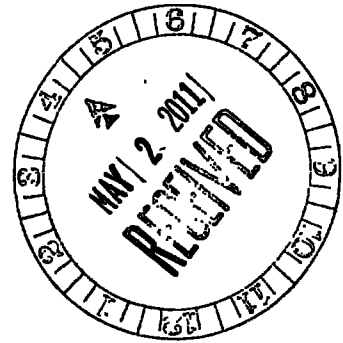
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**SURFACE
TRANSPORTATION BOARD**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Finance Docket No. 35506



Pursuant to 5 U.S.C. § 554(e) and 49 U.S.C. § 721, the Western Coal Traffic League (“WCTL”) respectfully requests that the Surface Transportation Board (“STB” or “Board”) issue an order declaring that the Board will adjust BNSF Railway Company’s (“BNSF”) Uniform Railroad Costing System (“URCS”) costs for calendar year 2010, and subsequent years, by not including the \$7,625,000,000 write-up in BNSF’s net investment base attributable to the acquisition premium¹ that Berkshire Hathaway Inc. (“Berkshire”) paid to acquire BNSF in 2010, and by making corresponding changes in BNSF’s annual URCS depreciation calculations.

In support of this request, WCTL states as follows:

BACKGROUND

(1) WCTL is a voluntary association whose membership is composed exclusively of organizations which purchase and transport coal from origins west of the Mississippi River. WCTL members include investor-owned electric utilities, electric cooperatives, state power authorities, and municipalities that collectively consume more

¹ As used herein, “acquisition premium” refers to “the difference between the book value and the purchase price of [acquired] properties.” *CSX Corp. et al. – Control & Operating Leases/Agreements – Conrail Inc. et al.*, 3 S.T.B. 196, 261 n.93 (1998) (“*Conrail*”).

than 170 million tons of western coal annually and pay western railroads over \$1.7 billion each year in coal freight charges. A substantial percentage of these annual tonnages are transported by BNSF. WCTL members are listed in *Attachment No. 1*.

(2) WCTL was formed in 1978 for the purpose of advancing and protecting the interests of electric ratepayers on whose monthly electric bills appeared all costs connected with the utilization of coal by their electric suppliers. Since its formation, WCTL has been active continuously before the Board and its predecessor, the Interstate Commerce Commission ("ICC"), in nearly all major proceedings the agency has initiated involving coal transportation, and WCTL has initiated many proceedings on its own. All of WCTL's energies are expended on behalf of the millions of electric ratepayers for whose interests it serves as steward.

(3) Berkshire acquired the corporate parent of BNSF, and BNSF, on February 12, 2010 for an "aggregate \$34.5 billion purchase price." *See* Berkshire Hathaway, Inc., 2010 Annual Report at 40-41.

(4) On or around March 31, 2011, BNSF submitted to the Board its Class I Railroad Annual Report for the year ending December 31, 2010 ("2010 R-1"). Copies of this 2010 R-1 were also made publicly available at that time.

(5) WCTL has reviewed BNSF's 2010 R-1. That review discloses that to account for the substantial acquisition premium Berkshire paid to acquire BNSF, BNSF has inputted R-1 accounting data in a manner that produces a write-up in its 2010 net investment base for URCS costing purposes equal to \$7,625,000,000. The details supporting this calculation are set forth in *Attachment No. 2*. This write-up increases

BNSF's pre-acquisition net investment base by 30% and impacts BNSF's 2010 annual depreciation calculations.

(6) If the \$7,625,000,000 write-up is included in BNSF's 2010 URCS, BNSF's URCS variable costs will increase substantially. These write-up driven increases, if included in BNSF's URCS, will have significant detrimental effects on BNSF shippers because, among other things, they will decrease the number of shippers that can bring rate cases before the Board and increase the maximum rates for those shippers that obtain maximum rate relief from the Board.

(7) The write-up, if included in BNSF's URCS, will result in fewer shippers being subject to the STB's regulatory jurisdiction because the Board lacks jurisdiction over rail rates that are demonstrated by a defendant carrier to be less than 180% of the carrier's variable costs. *See* 49 U.S.C. §§ 10701(d)(1) and 10707(d)(1)(A). The write up increases BNSF's variable costs, and therefore raises the jurisdictional threshold.

(8) The write-up, if included in BNSF's URCS, will increase maximum rates for captive shippers that have or will obtain rate prescriptions on BNSF movements because the Board will not prescribe a maximum rate below a rate floor equal to 180% of the defendant carrier's variable costs² and because the STB also uses variable costs to set maximum rail rates under its stand-alone cost ("SAC") constraint.³ As with the increases

² *See Burlington N. R.R. v. STB*, 114 F.3d 206, 210 (D.C. Cir. 1997).

³ *See W. Fuels Ass'n, Inc. & Basin Elec. Power Coop. v. BNSF Ry.*, STB Docket No. 42088 (STB served July 27, 2009).

in the jurisdictional threshold, these increases would come about solely because Berkshire paid a substantial premium to acquire BNSF.

(9) The potential impact of Berkshire's acquisition premium write-up on captive BNSF customers is very controversial, and has sparked public outrage. Ten United States Senators recently sent a letter to the Board stating that any automatic pass-through of the Berkshire acquisition premium to captive BNSF customers "raises a serious concern for captive rail customers" because it allows BNSF to pass on the premium to "its captive customers in the form of higher rates" and reduces the number of shippers that can obtain regulatory relief from the STB.⁴ The Senators went on to state that "[w]e do not think that this is what Congress intended" and they urged the Board to "initiate a proceeding to investigate" this matter. Senators' Letter at 1, 2.

ARGUMENT

(10) The Board "has discretionary authority to issue a declaratory order to terminate a controversy or remove uncertainty."⁵ The STB can terminate the controversy concerning the potential impact of the Berkshire premium write-up by exercising its authority under 49 U.S.C. § 10707(d)(1)(B) to adjust BNSF URCS costs,

⁴ See Letter from Senators Franken, Harkin, Johnson, Vitter, Kohl, Landrieu, Pryor, Klobuchar, Enzi and Tester to Hon. Daniel R. Elliott, III., Chairman of the STB, at 1 (Mar. 22, 2011) ("Senators' Letter"). Senator John Thune also wrote a letter to Chairman Elliot expressing similar concerns. Letter from Senator Thune to Hon. Daniel R. Elliott, III., Chairman of the STB, at 2 (Apr. 11, 2011) ("I would encourage the Board to study [the acquisition premium] matter, and provide the appropriate remedy under existing authorities.").

⁵ See *Ark. Elec. Coop. Corp. – Pet. for Declaratory Order*, STB Finance Docket No. 35305 (STB served Dec. 1, 2009) at 3 ("*Ark. Elec. Coop.*").

starting in 2010, by removing the \$7,625,000,000 acquisition premium write-up and by making the appropriate corresponding adjustments to annual depreciation.

(11) The Board's authority to adjust BNSF's URCS is clear. Congress has directed that the Board develop variable costs for jurisdictional purposes using the defendant carrier's "unadjusted" URCS costs "with adjustments specified by the Board." *See* 49 U.S.C. § 10707(d)(1)(B). Removing the acquisition premium write-up would be an "adjustment[]" to BNSF's URCS "specified by the Board." The Board also utilizes its jurisdictional variable cost determinations to set the 180% of variable cost rate floor in maximum rate cases, and for SAC purposes, so the Board-approved adjustment would apply equally to these maximum rate calculations.

(12) The Board's staff can easily adjust BNSF's URCS to address the impacts of the Berkshire acquisition premium. As shown in *Attachment 3*, adjusting BNSF's URCS to remove the premium write-up is a mechanical exercise. Similarly, adjusting BNSF's annual depreciation is a straight-forward exercise once all necessary data is collected. *See Attachment 3* at 2-5.

(13) The reasons why the Board should adjust BNSF's URCS to address the Berkshire acquisition premium are clear and unassailable:

- It is fundamentally unfair for captive shippers to lose access to the Board, or have their maximum rates set at higher levels, simply because Berkshire decided to pay a substantial acquisition premium in purchasing BNSF. *See* Senators' Letter at 1 ("[B]y including an acquisition premium in the capital asset base, a railroad is able to inflate artificially the revenue-to-variable cost ratio of 180 percent that is required

by statute for a shipper to bring a rate dispute before the STB. . . . We do not think this is what Congress intended when it established this threshold.”)

- Berkshire’s acquisition of BNSF did not increase in any way the economic costs BNSF incurs in providing service to its customers. As FERC has explained, “a mere change in ownership should not result in an increase in the rate charged for service *if the basic service rendered itself remains unchanged.*” *Williston Pipe Line Co.*, 21 FERC ¶ 61,260, 61,634 (1982) (emphasis in original) (internal quotation omitted), *aff’d on this point sub nom., Farmers Union Cent. Exch. v. FERC*, 734 F.2d 1486, 1527-28 (D.C. Cir. 1984).

- Berkshire’s acquisition of BNSF is different than prior acquisitions where the Board has permitted acquisition premiums to be included in the acquiring carriers’ URCS costs. Those prior acquisitions all involved railroad mergers; the mergers were subject to Board approval; and the Board, in approving the mergers, found that the mergers would produce cost reductions and synergies that would off-set acquisition premiums.⁶ Unlike these prior acquisitions, Berkshire’s acquisition of BNSF was not a merger, was not approved by the Board, and involves no cost reductions or synergies.

- BNSF may argue that its acquisition premium accounting conforms to the Board’s financial accounting rules and Generally Accepted Accounting Principles (“GAAP”). Putting to one side whether that argument is or is not correct, one thing is

⁶ See, e.g., *Conrail*, 3 S.T.B. at 263 (In approving the acquisition of Conrail by CSX Corporation and Norfolk Southern Corporation, the Board held that “any increase in URCS variable cost due to transaction-related changes in the value of road property investment will be offset by reductions in URCS cost elements as the \$1 billion in merger synergies flow through the costing system.”).

clear: the Board is not required to follow its financial accounting rules or GAAP in determining the scope of its regulatory jurisdiction or in setting maximum reasonable rates, particularly where, as here, such blind adherence to accounting standards would be manifestly unfair to BNSF's captive customers.⁷ Ratemaking calls for the Board to act to protect the public interest. That public interest is protected here by removing the Berkshire acquisition premium write-up from BNSF's URCS.

- Other regulatory bodies do not permit pass-through of acquisition premiums to the regulated entities' customers under the circumstances presented here. *See, e.g.,* U.S. Dep't of Agric. and U.S. Dep't of Transp., *Study of Rural Transp. Issues* at 263 (Apr. 2010) ("the railroad industry and the STB are the only industry and regulator that . . . add merger premiums into the rate base"); *Inquiry Concerning the Comm'n's Merger Policy Under the Fed. Power Act; Policy Statement*, 61 Fed. Reg. 68,595, 68,604 (Dec. 30, 1996) (FERC "historically has not permitted rate recovery of acquisition

⁷ *See Farmers Union Cent. Exch. v. FERC*, 584 F.2d 408, 418 (D.C. Cir. 1978) (holding that "it is rates, not bookkeeping, that [the Interstate Commerce Act] requires to be reasonable, and there is no assurance . . . that reasonable accounting measures translate automatically into reasonable rates" and criticizing "the ICC's current unexplained insistence on irrevocably hitching its ratemaking theory to its accounting rules"); Leonard S. Goodman, *The Process of Ratemaking* 160 (1998) ("[a]n agency is not required to follow accounting convention or GAAP" in its rate regulation); Railroad Accounting Principles Bd., *R.R. Accounting Principles, Final Report Volume 2 – Detailed Report* at 97 (Sept. 1, 1987) ("[The Board's general purpose costing systems] 'may use GAAP asset costs for reasons of practicality. However, more meaningful measures of value may be preferred and used for certain specific regulatory purposes.'"); *id.*, Vol. 1 – *Summary of Report* at 39, Separate Statement of Association of American Railroads' Executive Vice-President Richard E. Briggs (criticizing inclusion of acquisition premiums in ratemaking costs on grounds that, *inter alia*, "the new owner would have the ability to raise rail rates to higher levels than would be allowed under current ICC practice"); 49 U.S.C. § 11161 (Board's cost accounting rules must conform to "the regulatory purposes of [part A of subtitle IV of Title 49]").

premiums”); KPMG Global Energy Institute, *Regulated Utility M & A – Recent Trends and Long-Term Outlook* at 8 (Nov. 2010)⁸ (“PUCs typically do not allow the utility to include . . . the acquisition premium . . . in the rate base, as it will artificially inflate the required return on assets, which is ultimately borne by ratepayers.”).

PROPOSED PROCEDURAL SCHEDULE

(14) WCTL understands that many other shippers or shipper associations may be interested in participating in this case. WCTL suggests that the Board invite interested members of the public to participate in this case as parties of record (“PORs”), and that the Board adopt the following procedural schedule:

Day 0	Declaratory Order Proceeding Instituted
Day 15	Notices of Intent to Participate Due
Day 30	Opening Evidence and Argument Due From All PORs
Day 60	Reply Evidence and Argument Due From All PORs
Day 75	Rebuttal Evidence and Argument Due From All PORs

This schedule is tailored to permit the Board to make a final decision prior to its anticipated issuance of BNSF’s 2010 URCS in the fourth quarter of this year.⁹

⁸ <http://www.kpmginstitutes.com/global-energy-institute/insights/2010/pdf/regulated-utility-mergers-and-aquisitions.pdf>.

⁹ This procedure also satisfies any applicable requirements set forth in *Major Issues in Rail Rate Cases*, STB Ex Parte No. 657 (Sub-No.1) (Decision served Oct. 30, 2006). In this decision, the Board held that variable costs for jurisdictional and rate floor purposes must be calculated using the defendant carrier’s unadjusted URCS variable costs subject only to the unit cost adjustments set forth in the Board’s URCS Phase III

(15) Discovery is not necessary in this proceeding. However, PORs will need to obtain copies of the workpapers supporting BNSF's write-up and depreciation calculations. WCTL identifies the pertinent workpapers in *Attachment No. 4*. WCTL requests that the Board order BNSF to make these workpapers available to PORs no later than three business days after a POR requests them, provided the POR has agreed to adhere, if BNSF requests them to do so, to the terms of a governing protective order.

(16) To address any confidentiality concerns relating to BNSF's disclosure of its workpapers, WCTL will file a motion requesting that the Board enter an order adopting a standard form of protective order for use in this proceeding.

(17) WCTL's request for a declaratory order is limited to seeking relief from the impact of the acquisition premium on BNSF's URCS. Berkshire's acquisition of BNSF also impacts the Board's calculation of the rail industry's cost of capital and the Board's determination of BNSF's revenue adequacy. WCTL believes that the cost of capital impacts are best considered in the Board's 2010 cost of capital proceeding,¹⁰ as resolution of that issue could affect the cost of capital applied to all Class I rail carriers. WCTL also believes that resolution of the revenue adequacy impacts are best considered

costing program. *Id.* at 59-60. The Board also held that if a party wanted the Board to make any further adjustments, it should offer a "specific proposal" for public review and comment. *Id.* at 61. WCTL is making such a "specific proposal" here, and asking that the proposal be subject to "public review and comment." Receipt of public input is also consistent with the procedure the Board applied recently in another declaratory order proceeding involving significant issues for BNSF's rail customers. *See Ark. Elec. Coop.* at 3.

¹⁰ *See R.R. Cost of Capital – 2010*, STB Ex Parte No. 558 (Sub-No. 14).

in a separate proceeding, particularly in light of the need for this case to be decided prior to the Board's issuance of the 2010 BNSF URCS.

CONCLUSION


WCTL respectfully requests that the Board issue a declaratory order granting the relief requested above.

Respectfully submitted,

OF COUNSEL:

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(202) 347-7170

Dated: May 2, 2011

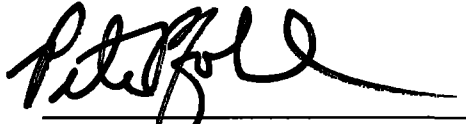
By: William L. Slover 
John H. LeSeur
Peter A. Pfohl
Daniel M. Jaffe
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Attorneys for
Western Coal Traffic League

CERTIFICATE OF SERVICE

I hereby certify that this 2nd day of May, 2011, I served copies of the foregoing Petition for A Declaratory Order by overnight courier (FEDEX) on BNSF's Chief Legal Officer, as follows:

Roger Nober, Esq.
Executive Vice President Law & Secretary
BNSF Railway Company
2650 Lou Menk Drive
Fort Worth, TX 76161



Peter A. Bohl

ATTACHMENT NO. 1

**MEMBERS OF
WESTERN COAL TRAFFIC LEAGUE**

Ameren Energy Fuels and Services
Arizona Electric Power Cooperative, Inc.
CLECO Corporation
Austin Energy (City of Austin, Texas)
CPS Energy
Entergy Services, Inc.
Kansas City Power & Light Company
Lower Colorado River Authority
MidAmerican Energy Company
Minnesota Power
Nebraska Public Power District
Omaha Public Power District
Texas Municipal Power Agency
Western Farmers Electric Cooperative
Western Fuels Association, Inc.
Wisconsin Public Service Corporation
Xcel Energy, Inc.

ATTACHMENT NO. 2

**SUMMARY OF IMPACT OF BERKSHIRE HATHAWAY
ACQUISITION OF BNSF ON URCS ACCOUNTS -- 2010**

<u>Item</u> (1)	<u>Amount (millions)</u>		
	<u>As Reported</u> <u>In 2010 R-1</u> (2)	<u>Excluding</u> <u>Acquisition</u> <u>Costs</u> (3)	<u>Difference</u> 1/ (4)
1. GROSS INVESTMENT - End of Year (Schedule 330)			
a. Road Property	\$40,832	\$36,692 2/	\$4,140
b. Equipment	\$6,176	\$8,998 2/	-\$2,822
c. Construction Work in Progress	<u>\$528</u>	<u>\$534</u> 2/	<u>-\$6</u>
d. Total	\$47,536	\$46,224 2/	\$1,312
2. ACCUMULATED DEPRECIATION - End of Year (Schedule 335)			
a. Road Property	\$534	\$8,837 3/	-\$8,303
b. Equipment	<u>\$508</u>	<u>\$3,539</u> 3/	<u>-\$3,031</u>
c. Total	\$1,042	\$12,376 3/	-\$11,334
3. WORKING CAPITAL (Schedule 245, L28)	\$663	\$663	\$0
4. DEFERRED TAXES (Schedule 200, L49)	\$14,528	\$9,507 4/	\$5,021
5. NET INVESTMENT FOR URCS 5/	<u>\$32,629</u>	<u>\$25,004</u>	<u>\$7,625</u>
6. ANNUAL DEPRECIATION 6/			
a. Road Property	\$1,048	\$1,067	-\$19
b. Equipment	<u>\$685</u>	<u>\$715</u>	<u>-\$30</u>
c. Total	\$1,733	\$1,782	-\$49

SEE PAGE 2 OF 2 FOR EXPLANATION OF FOOTNOTES

**SUMMARY OF IMPACT OF BERKSHIRE HATHAWAY
ACQUISITION OF BNSF ON URCS ACCOUNTS – 2010**

EXPLANATION OF FOOTNOTES:

- 1/ Column (2) minus Column (3).
- 2/ Column (2) minus the monies appearing in BNSF's 2010 Annual Report R-1, Schedule 330, Column (d). BNSF's Schedule 330 defines the monies appearing in Column (d) as follows: "Amounts in Column (d) represents the purchase accounting fair valuation of assets net of the accumulated depreciation write-off due to acquisition of BNSF by Berkshire Hathaway".
- 3/ Column (2) minus the monies appearing in BNSF's 2010 Annual Report R-1, Schedule 335, Column (f). BNSF's Schedule 335 defines the monies appearing in Column (f) as follows: "Amounts in Column (f) represent the accumulated depreciation write-off net of retirements due to acquisition of BNSF by Berkshire Hathaway".
- 4/ Column (2) minus the monies appearing in BNSF's 2010 Annual Report R-1, Schedule 450, Part B, Line 11, Column (d) which represent "Purchase Price Accounting Adjustment – Depreciation & Amortization".
- 5/ Line 1d minus Line 2c plus Line 3 minus Line 4.
- 6/ Column (2) annual depreciation from BNSF's 2010 annual Report R-1, Schedule 412, Column (b) (Road Property) and Schedule 415 Column (c) plus Column (d) (Equipment). Column (3) annual depreciation was developed by applying BNSF annual depreciation rates from BNSF's 2010 Annual Report R-1, Schedule 332, Column (d) to BNSF's gross investment excluding costs - - see 2/ above.

ATTACHMENT NO. 3

**SUMMARY OF ADJUSTMENTS TO URCS INPUTS TO ELIMINATE
THE ACQUISITION PREMIUM IN BNSF 2010 ANNUAL REPORT R-1**

1. **URCS INPUT: A4L202C1 – Accumulated Deferred Income Tax Credits – BNSF** reported \$14,528,492 in deferred taxes in Schedule 200, Line 49. In Schedule 450, Part B, Line 11, Column (d), BNSF identified “Purchase Price Accounting Adjustments – Depreciation & Amortization” in the amount of \$5,021,777. When the purchase price accounting adjustment is removed from the reported accumulated deferred taxes, BNSF’s 2010 accumulated deferred taxes are reduced to \$9,506,693 which amount is entered into URCS at A4L202C1.
2. **URCS INPUTS: A4L101C1 to A4L128C1 – Gross Investment for Road Property –** BNSF reported \$40,920,232 for gross investment in road property in Schedule 352B, Column (b) which is summarized in Column (4) of Attachment No. 3, Page 6. In Schedule 330, which is the basis for the values in Schedule 352B, BNSF reported \$4,138,346 in Column (d) which BNSF states “represents the purchase accounting fair valuation of assets net of the accumulated depreciation write-off due to acquisition of BNSF by Berkshire Hathaway.” When the asset write-off is removed from the reported gross investment in road property, BNSF’s gross investment is increased by \$4,138,346 and equals the revised gross investment shown in Column (6) of Attachment No. 3, Page 6. The revised gross investment is entered into URCS at A4L101C1 through A4L128C1 as shown in Column (3) of Attachment No. 3, Page 6.
3. **URCS INPUTS: A4L133C1 to A4L140C1 – Gross Investment for Equipment –** BNSF reported \$6,176,802 for gross investment in equipment in Schedule 352B, Column (b) as summarized in Column (4) of Attachment No. 3, Page 7. In Schedule 330, which is the basis for the values in Schedule 352B, BNSF reported (-)\$2,821,008 in Column (d) which BNSF states “represents the purchase accounting fair valuation of assets net of the accumulated depreciation write-off due to acquisition of BNSF by Berkshire Hathaway.” When the asset write-off is removed from the reported gross investment in equipment, BNSF’s gross investment is reduced by (-)\$2,821,008 and equals the revised gross investment shown in Column (6) of Attachment No. 3, Page 7. The revised gross investment is entered into URCS at A4L133C1 through A4L140C1 as shown in Column (3) of Attachment No. 3, Page 7.
4. **URCS INPUTS: A4L101C2 to A4L128C2 – Accumulated Depreciation for Road Property --** BNSF reported \$533,800 for accumulated depreciation in road property in Schedule 335, Column (g) as summarized in Column (4) of Attachment No. 3, Page 8.

**SUMMARY OF ADJUSTMENTS TO URCS INPUTS TO ELIMINATE
THE ACQUISITION PREMIUM IN BNSF 2010 ANNUAL REPORT R-1**

In Schedule 335, Column (f), BNSF reported \$8,302,900 which BNSF states “represent the accumulated depreciation write-off net of retirements due to acquisition of BNSF by Berkshire Hathaway.” When the asset write-off is removed from the reported accumulated depreciation to road property, BNSF’s accumulated depreciation is increased by \$8,302,900 and equals the revised accumulated depreciation shown in Column (6) of Attachment No. 3, Page 8. The revised accumulated depreciation is entered into URCS at A4L101C2 through A4L128C2 as shown in Column (3) of Attachment No. 3, Page 8.

5. **URCS INPUTS: A4L133C2 to A4L140C2 – Accumulated Depreciation for Equipment** – BNSF reported \$508,018 for accumulated depreciation in equipment property in Schedule 335, Column (g) as summarized in Column (4) of Attachment No. 3, Page 9. In Schedule 335, Column (f), BNSF reported \$3,030,841 which BNSF states “represent the accumulated depreciation write-off net of retirements due to acquisition of BNSF by Berkshire Hathaway.” When the asset write-off is removed from the reported accumulated depreciation to equipment property, BNSF’s accumulated depreciation is increased by \$3,030,841 and equals the revised accumulated depreciation shown in Column (6) of Attachment No. 3, Page 9. The revised accumulated depreciation is entered into URCS at A4L133C2 through A4L140C2 as shown in Column (3) of Attachment No. 3, Page 9.
6. **URCS INPUTS: A3L701C2 to A3L726C2 – Annual Depreciation for Road Property** – BNSF reported \$1,048,200 for annual depreciation in road property in Schedule 412, Column (b) as summarized in Column (4) of Attachment No. 3, Page 10. In Schedule 330, Column (h), BNSF reported \$40,754,305 in end of year gross investment which included \$4,210,388 in the write-up of assets as summarized in Columns (2) and (3) of Attachment No. 3, Page 11, respectively. The change in gross investment impacts annual depreciation associated with the re-valued asset base. Because the BNSF 2010 Annual Report R-1 does not identify the impact of the write-up of assets on annual depreciation, the impact on annual depreciation for road property is estimated on Attachment No. 3, Page 11. The change in annual depreciation for road property is shown on Attachment No. 3, Column (10), Page 11 and Attachment No. 3, Column (5), Page 10. These monies are subtracted from the reported annual depreciation values and the revised annual depreciation (shown on Attachment No. 3, Page 11, Column (6)) is entered into URCS at A3L701C2 to A3L726C2 as shown in Column (3) of Attachment No. 3, Page 10.

**SUMMARY OF ADJUSTMENTS TO URCS INPUTS TO ELIMINATE
THE ACQUISITION PREMIUM IN BNSF 2010 ANNUAL REPORT R-1**

7. **URCS INPUTS: A2L166C8 to A2L168C8 – Annual Maintenance of Way Depreciation -** BNSF reported annual depreciation of \$1,048,200 in Schedule 412, Column (b) as explained in Item 6 above. These monies are separated between running, switching and other in Schedule 410, Lines 136, 137 and 138, respectively. The tabulation below separates the revised annual depreciation of \$1,064,417 developed in Attachment No. 3, Page 10 based on the distribution shown in BNSF's Schedule 410. The revised annual depreciation is entered into URCS at A2L166C8 through A2L168C8 as shown below.

Distribution of Annual Maintenance of Way Depreciation

<u>Item</u>	<u>Source</u>	<u>URCS</u>	<u>As Reported</u>	<u>Restated 1/</u>
(1)	(2)	(3)	(4)	(5)
1. Depreciation – Running	Sch 410, L136	A2L166C8	\$628,378	\$638,100
2. Depreciation – Switching	Sch 410, L137	A2L167C8	\$166,323	\$168,896
3. Depreciation – Other	<u>Sch 410, L138</u>	<u>A2L168C8</u>	<u>\$253,499</u>	<u>\$257,421</u>
4. Total	xxx	xxx	\$1,048,200	\$1,064,417

1/ Column (5) total monies distributed on Column (4) monies.

8. **URCS INPUTS: A3L401C2 to A3L441C2 – Annual Depreciation for Equipment Property --** BNSF reported \$684,695 for annual depreciation in equipment property in Schedule 415, Column (c) plus Column (d) as summarized in Column (4) of Attachment No. 3, Page 12. In Schedule 330, Column (h), BNSF reported \$6,342,729 in end of year gross investment for equipment property and shop machinery which included - \$2,893,050 in the write-off of assets as summarized in Columns (2) and (3) of Attachment No. 3, Page 13, respectively. The change in gross investment impacts annual depreciation associated with the re-valued asset base. Because the BNSF 2010 Annual Report R-1 does not identify the impact of the write-up of assets on annual depreciation on the specific equipment accounts in Schedule 415, the impact on annual depreciation for equipment property is estimated on Attachment No. 3, Column (10), Page 13 and Attachment No. 3, Column (5), Page 12. These monies are subtracted from the reported annual depreciation values and the revised annual depreciation (shown on Attachment No. 3, Page 12, Column (6)) is entered into URCS at A3L401C2 to A3L441C2 as shown in Column (3) of Attachment No. 3, Page 12.

**SUMMARY OF ADJUSTMENTS TO URCS INPUTS TO ELIMINATE
THE ACQUISITION PREMIUM IN BNSF 2010 ANNUAL REPORT R-1**

9. **URCS INPUTS: A2L213C8, A2L232C8 and A2L255C8 – Annual Maintenance of Equipment Depreciation** -- BNSF reported annual depreciation of \$684,695 in Schedule 415, Column (c) plus (d) as explained in Item 8 above. In Schedule 410, these monies are separated between locomotive depreciation, freight car depreciation and all other depreciation. The tabulation below summarizes the revised annual depreciation of \$726,870 developed in Attachment No. 3, Column 6, Page 12. The revised annual depreciation is entered into URCS at A2L213C8, A2L232C8 and A2L255C8 as shown below.

Summary of Annual Maintenance of Equipment Depreciation

<u>Item</u>	<u>Source</u>	<u>URCS</u>	<u>As Reported</u>	<u>Restated</u>
(1)	(2)	(3)	(4)	(5)
1. Depreciation – Locomotive	Sch 410, L213	A2L213C8	\$331,763 1/	\$442,694 1/
2. Depreciation – Freight Car	Sch 410, L232	A2L232C8	\$42,793 2/	\$56,365 2/
3. Depreciation – Other	<u>Sch 410, L255</u>	<u>A2L255C8</u>	<u>\$310,139 3/</u>	<u>\$227,811 3/</u>
4. Total	xxx	xxx	\$684,695	\$726,870

1/ See Attachment No. 3, Page 12, Line 5 + Line 38.

2/ See Attachment No. 3, Page 12, Line 24 + 39.

3/ Line 4 minus (Line1 + Line 2).

10. **URCS INPUTS: A3L501C1 to A3L541C1 (OWNED EQUIPMENT) and A3L501C2 to A3L541C2 (CAPITALIZED LEASE EQUIPMENT) – Gross Investment for Equipment by Category** -- BNSF reported \$4,743,172 for gross investment in owned equipment and \$1,599,557 for gross investment in capitalized lease equipment in Schedule 415, Column (g) and Column (h), respectively. In Schedule 330, which is the basis for the values in Schedule 352B, BNSF reported (-)\$2,821,008 in Column (d) for equipment and (-)\$72,042 for shop machinery (a total of (-)\$12,893,050) which BNSF states “represents the purchase accounting fair valuation of assets net of the accumulated depreciation write-off due to acquisition of BNSF by Berkshire Hathaway.” When the asset write-off is removed from the reported gross investment in equipment property, BNSF’s gross investment is reduced by (-)\$2,893,050. BNSF did not provide the amount of the write-off for each category of equipment and therefore the write-off shown in

**SUMMARY OF ADJUSTMENTS TO URCS INPUTS TO ELIMINATE
THE ACQUISITION PREMIUM IN BNSF 2010 ANNUAL REPORT R-1**

Column (7) of Attachment No. 3, Page 14 cannot be allocated without BNSF work papers supporting these calculations. Once the BNSF work papers are received, the revised gross investment can be calculated and will be entered into URCS at A3L501C1 through A3L541C1 for owned equipment and A3L501C2 through A3L541C2 for capitalized leased equipment as shown in Column (8) and Column (9) of Attachment No. 3, Page 15.

- 11. URCS INPUTS: A3L501C4 to A3L541C4 (OWNED EQUIPMENT) and A3L501C5 to A3L541C5 (CAPITALIZED LEASE EQUIPMENT) – Accumulated Depreciation for Equipment by Category** -- BNSF reported \$378,045 for accumulated depreciation investment in owned equipment and \$139,798 for accumulated depreciation in capitalized lease equipment in Schedule 415, Column (i) and Column (j), respectively. In Schedule 330, which is the basis for the values in Schedule 335, BNSF reported \$3,030,841 in Column (f) for equipment and \$102,629 for shop machinery (a total of \$3,133,470) which BNSF states “represent the accumulated depreciation write-off net of retirements due to acquisition of BNSF by Berkshire Hathaway.” When the credit to accumulated depreciation is removed from the reported accumulated depreciation in equipment property, BNSF’s accumulated depreciation is increased by \$3,133,470. BNSF did not provide the amount of the credit to accumulated depreciation for each category of equipment and therefore the distribution of the credit shown in Column (7) of Attachment No. 3, Page 15 cannot be allocated without BNSF work papers supporting these calculations. Once the BNSF work papers are received, the revised accumulated depreciation can be calculated and will be entered into URCS at A3L501C4 through A3L541C4 for owned equipment and A3L501C5 through A3L541C5 for capitalized leased equipment as shown in Column (8) and Column (9) of Attachment No. 3, Page 15.

Development of Adjusted Road Property Gross Investment In Schedule 352B -- BNSF 2010

<u>Sch 352B</u> <u>Line No.</u> (1)	<u>Account</u> (2)	<u>URCS</u> <u>Source</u> (3)	<u>As Reported In</u> <u>Schedule 352B</u> (4)	<u>Asset</u> <u>Write-off In</u> <u>Sch 330, Col (d)</u> (5)	<u>Revised Gross</u> <u>Investment</u> <u>Col (4)-Col(5)</u> (6)
1	2 Land	A4L101C1	\$5,899,251	\$4,034,198	\$1,865,053
2	3 Grading	A4L102C1	\$10,332,395	\$7,712,599	\$2,619,796
3	4 Other right of way	A4L103C1	\$33,688	-\$5,844	\$39,532
4	5 Tunnels and subways	A4L104C1	\$513,040	\$403,905	\$109,135
5	6 Bridges & Culverts	A4L105C1	\$3,411,112	\$867,057	\$2,544,055
6	7 Elevated Structures	A4L106C1	\$0	\$0	\$0
7	8 Ties	A4L107C1	\$4,339,074	-\$883,369	\$5,222,443
8	9 Rail & other track material	A4L108C1	\$8,444,200	-\$3,252,738	\$11,696,938
9	11 Ballast	A4L109C1	\$2,927,420	-\$1,324,468	\$4,251,888
10	13 Fences and signs	A4L110C1	\$94,876	\$12,733	\$82,143
11	16 Station and office buildings	A4L111C1	\$336,462	-\$329,628	\$666,090
12	17 Roadway buildings	A4L112C1	\$25,327	-\$24,397	\$49,724
13	18 Water Stations	A4L113C1	\$3,260	-\$4,079	\$7,339
14	19 Fuel stations	A4L114C1	\$302,534	-\$102,272	\$404,806
15	20 Shops and enginehouses	A4L115C1	\$490,267	-\$176,120	\$666,387
16	22 Storage warehouses	A4L116C1	\$0	\$0	\$0
17	23 Wharves and docks	A4L117C1	\$15,859	\$600	\$15,259
18	24 Coal and ore wharves	A4L118C1	\$14,842	\$2,590	\$12,252
19	25 TOFC/COFC terminals	A4L119C1	\$935,381	-\$340,052	\$1,275,433
20	26 Communication systems	A4L120C1	\$542,588	-\$416,161	\$958,749
21	27 Signals & Interlockers	A4L121C1	\$1,129,229	-\$1,739,062	\$2,868,291
22	29 Power Plants	A4L122C1	\$1,768	-\$1,345	\$3,113
23	31 Power transmission systems	A4L123C1	\$27,774	-\$6,441	\$34,215
24	35 Misc structures	A4L124C1	\$31,306	-\$3,278	\$34,584
25	37 Roadway machines	A4L125C1	\$361,455	-\$198,869	\$560,324
26	39 Public improvements	A4L126C1	\$541,088	-\$11,885	\$552,973
27	44 Shop machinery	A4L127C1	\$165,927	-\$72,042	\$237,969
28	45 Power plant machinery	A4L128C1	<u>\$109</u>	<u>-\$3,286</u>	<u>\$3,395</u>
	Total		\$40,920,232	\$4,138,346	\$36,781,886

Development of Adjusted Equipment Gross Investment In Schedule 352B -- BNSF 2010

<u>Sch 352B</u> <u>Line No.</u> (1)	<u>Account</u> (2)	<u>URCS</u> <u>Source</u> (3)	<u>As Reported In</u> <u>Schedule 352B</u> (4)	<u>Asset</u> <u>Write-off In</u> <u>Sch 330, Col (d)</u> (5)	<u>Revised Gross</u> <u>Investment</u> <u>Col (4)-Col(5)</u> (6)
32	52 Locomotives	A4L133C1	\$3,223,851	-\$2,684,821	\$5,908,672
33	53 Freight train cars	A4L134C1	\$1,038,201	-\$675,830	\$1,714,031
34	54 Passenger cars	A4L135C1	\$0	\$0	\$0
35	55 Highway revenue equipment	A4L136C1	\$3,422	-\$11,732	\$15,154
36	56 Floating equipment	A4L137C1	\$0	\$0	\$0
37	57 Work equipment	A4L138C1	\$242,049	-\$16,071	\$258,120
38	58 Misc equipment	A4L139C1	\$57,819	-\$341,805	\$399,624
39	59 Computer systems	A4L140C1	<u>\$1,611,460</u>	<u>\$909,251</u>	<u>\$702,209</u>
	Total		\$6,176,802	-\$2,821,008	\$8,997,810

Development of Adjusted Road Property Accumulated Depreciation In Schedule 335 -- BNSF 2010

Sch 335 Line No.	Account	URCS Source	As Reported In Schedule 335 Column (g)	Debits to Reserve in Sch 335, Col (f)	Revised Accumulated Depreciation Col (4)+Col(5)
(1)	(2)	(3)	(4)	(5)	(6)
1	3 Grading	A4L102C2	\$88,679	\$339,601	\$428,280
2	4 Other right of way	A4L103C2	\$351	\$11,081	\$11,432
3	5 Tunnels and subways	A4L104C2	\$8,092	\$30,100	\$38,192
4	6 Bridges & Culverts	A4L105C2	\$49,242	\$314,902	\$364,144
5	7 Elevated Structures	A4L106C2	\$0	\$0	\$0
6	8 Ties	A4L107C2	\$50,191	\$1,771,538	\$1,821,729
7	9 Rail & other track material	A4L108C2	\$252,019	\$2,686,802	\$2,938,821
8	11 Ballast	A4L109C2	-\$43,697	\$1,052,754	\$1,009,057
9	13 Fences and signs	A4L110C2	\$1,024	\$11,873	\$12,897
10	16 Station and office buildings	A4L111C2	\$12,124	\$243,068	\$255,192
11	17 Roadway buildings	A4L112C2	\$1,933	\$24,273	\$26,206
12	18 Water Stations	A4L113C2	\$123	\$4,076	\$4,199
13	19 Fuel stations	A4L114C2	\$11,040	\$101,177	\$112,217
14	20 Shops and enginehouses	A4L115C2	\$11,747	\$176,116	\$187,863
15	22 Storage warehouses	A4L116C2	\$0	\$0	\$0
16	23 Wharves and docks	A4L117C2	\$793	-\$285	\$508
17	24 Coal and ore wharves	A4L118C2	\$566	\$5,585	\$6,151
18	25 TOFC/COFC terminals	A4L119C2	\$57,505	\$250,400	\$307,905
19	26 Communication systems	A4L120C2	\$46,850	\$293,921	\$340,771
20	27 Signals & Interlockers	A4L121C2	-\$51,755	\$554,713	\$502,958
21	29 Power Plants	A4L122C2	\$184	\$2,221	\$2,405
22	31 Power transmission systems	A4L123C2	\$922	\$11,652	\$12,574
23	35 Misc structures	A4L124C2	\$2,380	\$24,388	\$26,768
24	37 Roadway machines	A4L125C2	\$18,254	\$200,241	\$218,495
25	39 Public improvements	A4L126C2	\$5,848	\$89,801	\$95,649
26	44 Shop machinery	A4L127C2	\$9,825	\$102,629	\$112,454
27	45 Power plant machinery	A4L128C2	-\$440	\$273	-\$167
	Total		\$533,800	\$8,302,900	\$8,836,700

Development of Adjusted Equipment Accumulated Depreciation In Schedule 335 -- BNSF 2010

<u>Sch 335</u> <u>Line No.</u> (1)	<u>Account</u> (2)	<u>URCS</u> <u>Source</u> (3)	<u>As Reported In</u> <u>Schedule 335</u> <u>Column (g)</u> (4)	<u>Debits to</u> <u>Reserve in</u> <u>Sch 335, Col (f)</u> (5)	<u>Revised</u> <u>Accumulated</u> <u>Depreciation</u> <u>Col (4)+Col(5)</u> (6)
31	52 Locomotives	A4L133C2	\$242,294	\$1,995,058	\$2,237,352
32	53 Freight train cars	A4L134C2	-\$5,955	\$429,870	\$423,915
33	54 Passenger cars	A4L135C2	\$0	\$0	\$0
34	55 Highway revenue equipment	A4L136C2	-\$1,323	\$10,206	\$8,883
35	56 Floating equipment	A4L137C2	\$0	\$0	\$0
36	57 Work equipment	A4L138C2	\$9,044	\$74,076	\$83,120
37	58 Misc equipment	A4L139C2	-\$19,977	\$222,207	\$202,230
38	59 Computer systems	A4L140C2	<u>\$283,935</u>	<u>\$299,424</u>	<u>\$583,359</u>
	Total		\$508,018	\$3,030,841	\$3,538,859

Development of Adjusted Annual Depreciation -- BNSF 2010
(Road Property -- Schedule 412)

Sch 412 <u>Line No.</u> (1)	<u>Account</u> (2)	<u>URCS Source</u> (3)	<u>As Reported In Schedule 412 Column (b)</u> (4)	<u>Change In Annual Depreciation Page 12 of 16, Col 10</u> (5)	<u>Revised Annual Depreciation Col (4)-Col(5)</u> (6)
1	3 Grading	A3L701C2	\$93,252	\$90,660	\$2,592
2	4 Other right of way	A3L702C2	\$1,388	-\$139	\$1,527
3	5 Tunnels and subways	A3L703C2	\$8,415	\$6,868	\$1,547
4	6 Bridges & Culverts	A3L704C2	\$60,218	\$14,194	\$46,024
5	7 Elevated Structures	A3L705C2	\$0	\$0	\$0
6	8 Ties	A3L706C2	\$283,746	-\$14,980	\$298,726
7	9 Rail & other track material	A3L707C2	\$355,064	-\$85,781	\$440,845
8	11 Ballast	A3L708C2	\$141,675	-\$37,062	\$178,737
9	13 Fences and signs	A3L709C2	\$1,571	\$140	\$1,431
10	16 Station and office buildings	A3L710C2	\$16,119	-\$5,016	\$21,135
11	17 Roadway buildings	A3L711C2	\$1,841	-\$606	\$2,447
12	18 Water Stations	A3L712C2	\$128	-\$34	\$162
13	19 Fuel stations	A3L713C2	\$13,469	-\$2,640	\$16,109
14	20 Shops and enginehouses	A3L714C2	\$13,420	-\$2,837	\$16,257
15	22 Storage warehouses	A3L715C2	\$0	\$0	\$0
16	23 Wharves and docks	A3L716C2	\$815	\$6	\$809
17	24 Coal and ore wharves	A3L717C2	\$596	\$61	\$535
18	25 TOFC/COFC terminals	A3L718C2	\$36,781	-\$8,364	\$45,145
19	26 Communication systems	A3L719C2	\$34,110	-\$13,705	\$47,815
20	27 Signals & Interlockers	A3L720C2	-\$58,602	\$50,448	-\$109,050
21	29 Power Plants	A3L721C2	\$192	-\$32	\$224
22	31 Power transmission systems	A3L722C2	\$1,058	-\$135	\$1,193
23	35 Misc structures	A3L723C2	\$2,458	-\$92	\$2,550
24	37 Roadway machines	A3L724C2	\$27,230	-\$7,841	\$35,071
25	39 Public improvements	A3L725C2	\$13,682	-\$232	\$13,914
26	45 Power plant machinery	A3L726C2	<u>-\$426</u>	<u>\$902</u>	<u>-\$1,328</u>
	Subtotal		\$1,048,200	-\$16,217	\$1,064,417

Development of Adjusted Annual Depreciation – BNSF 2010
(Road Property – Schedule 412)

Account (1)	GROSS INVESTMENT			Annual Depreciation Rates (5)	Estimated Annual Deprec related to Close of Year (6)	Estimated Annual Deprec related to purchase/reorg (7)	Depreciation As Reported In Schedule 412 (8)	Depreciation multiplier (9)	Portion related to purchase restated (10)	Restated Depreciation (11)	
	Balance at Close of Yr (2)	Expenditures for purchase/reorg (3)	Close of Yr Without Purchase (4)								
Road Property Account											
2 Land	\$5,899,251	\$4,034,198	\$1,865,053	0.00%	\$0	\$0	\$0	1.0000	\$0	\$0	\$0
3 Grading	\$10,332,395	\$7,712,599	\$2,619,796	1.03%	\$106,424	\$79,440	\$93,252	1.1412	\$90,660	\$2,592	\$2,592
4 Other right of way	\$33,688	-\$5,844	\$39,532	3.13%	\$1,054	-\$183	\$1,388	0.7597	-\$139	\$1,527	\$1,527
5 Tunnels and subways	\$513,040	\$403,905	\$109,135	1.67%	\$8,568	\$6,745	\$8,415	1.0182	\$6,868	\$1,547	\$1,547
6 Bridges & Culverts	\$3,411,112	\$867,057	\$2,544,055	1.70%	\$57,989	\$14,740	\$60,218	0.9630	\$14,194	\$46,024	\$46,024
7 Elevated Structures	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	1.0000	\$0	\$0	\$0
8 Ties	\$4,339,074	-\$883,369	\$5,222,443	3.33%	\$144,491	-\$29,416	\$283,746	0.5092	-\$14,980	\$298,726	\$298,726
9 Rail & OTM	\$8,444,200	-\$3,252,738	\$11,696,938	3.33%	\$281,192	-\$108,316	\$355,064	0.7919	-\$85,781	\$440,845	\$440,845
11 Ballast	\$2,927,420	-\$1,324,468	\$4,251,888	3.68%	\$107,729	-\$48,740	\$141,675	0.7604	-\$37,062	\$178,737	\$178,737
13 Fences and signs	\$94,876	\$12,733	\$82,143	1.35%	\$1,281	\$172	\$1,571	0.8153	\$140	\$1,431	\$1,431
16 Station and office buildings	\$336,462	-\$329,628	\$66,090	2.70%	\$9,084	-\$8,900	\$16,119	0.5636	-\$5,016	\$21,135	\$21,135
17 Roadway buildings	\$25,327	-\$24,397	\$49,724	4.25%	\$1,076	-\$1,037	\$1,841	0.5847	-\$606	\$2,447	\$2,447
18 Water Stations	\$3,260	-\$4,079	\$7,339	1.82%	\$59	-\$74	\$128	0.4635	-\$34	\$162	\$162
19 Fuel stations	\$302,534	-\$102,272	\$404,806	3.39%	\$10,256	-\$3,467	\$13,469	0.7614	-\$2,640	\$16,109	\$16,109
20 Shops and enginehouses	\$490,267	-\$176,120	\$666,387	2.10%	\$10,296	-\$3,699	\$13,420	0.7672	-\$2,837	\$16,257	\$16,257
22 Storage warehouses	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	1.0000	\$0	\$0	\$0
23 Wharves and docks	\$15,859	\$600	\$15,259	2.21%	\$350	\$13	\$815	0.4300	\$6	\$809	\$809
24 Coal and ore wharves	\$14,842	\$2,590	\$12,252	3.08%	\$457	\$80	\$596	0.7670	\$61	\$535	\$535
25 TOFC/COFC terminals	\$935,381	-\$340,052	\$1,275,433	3.11%	\$29,090	-\$10,576	\$36,781	0.7909	-\$8,364	\$45,145	\$45,145
26 Communication systems	\$542,588	-\$416,161	\$958,749	4.55%	\$24,688	-\$18,935	\$34,110	0.7238	-\$13,705	\$47,815	\$47,815
27 Signals & Interlockers	\$1,129,229	-\$1,739,062	\$2,868,291	-3.88%	-\$43,814	\$67,476	-\$58,602	0.7477	\$50,448	-\$109,050	-\$109,050
29 Power Plants	\$1,768	-\$1,345	\$3,113	5.07%	\$90	-\$68	\$192	0.4669	-\$32	\$224	\$224
31 Power transmission systems	\$27,774	-\$6,441	\$34,215	2.83%	\$786	-\$182	\$1,058	0.7429	-\$135	\$1,193	\$1,193
35 Misc structures	\$31,306	-\$3,278	\$34,584	4.70%	\$1,471	-\$154	\$2,458	0.5986	-\$92	\$2,550	\$2,550
37 Roadway machines	\$361,455	-\$198,869	\$560,324	5.45%	\$19,699	-\$10,838	\$27,230	0.7234	-\$7,841	\$35,071	\$35,071
39 Public improvements	\$541,088	-\$11,885	\$552,973	2.22%	\$12,012	-\$2,684	\$13,682	0.8780	-\$232	\$13,914	\$13,914
45 Power plant machinery	\$109	-\$3,286	\$3,395	-103.55%	-\$113	\$3,403	-\$426	0.2650	\$902	-\$1,328	-\$1,328
Other lease/rentals	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	1.0000	\$0	\$0	\$0
Total 1/	\$40,754,305	\$4,210,388	\$36,543,917	xxx	\$784,217	-\$72,782	\$1,048,200	xxx	-\$16,217	\$1,064,417	\$1,064,417

Development of Adjusted Annual Depreciation – BNSF 2010
(Equipment – Schedule 415)

Sch 415 Line No. (1)	Account (2)	URCS Source (3)	As Reported In Schedule 415 Column (c)+(d) (4)	Change In Annual Depreciation Page 14 of 16, Col 10 (5)	Revised Annual Depreciation 2/ (6)
<u>Locomotives</u>					
1	52 Diesel Locomotives - Yard	A3L401C2	\$0	xxx	\$0
2	52 Diesel Locomotives - Road	A3L402C2	\$291,745	xxx	\$389,975
3	52 Other Locomotives - Yard	A3L403C2	\$34,269	xxx	\$45,807
4	52 Other Locomotives - Road	A3L404C2	\$0	xxx	\$0
5	52 Total Locomotives	xxx	\$326,014	-\$109,768	\$435,782
<u>Freight Train Cars</u>					
6	53 Box - Plain 40 foot	A3L408C2	\$1	xxx	\$1
7	53 Box-Plain 50 foot and longer	A3L409C2	-\$12	xxx	-\$16
8	53 Box - Equipped	A3L410C2	\$2,209	xxx	\$2,935
9	53 Gondola - Plain	A3L411C2	\$1,906	xxx	\$2,533
10	53 Gondola - Equipped	A3L412C2	\$2,030	xxx	\$2,697
11	53 Hopper - Covered	A3L413C2	\$10,952	xxx	\$14,553
12	53 Hopper - Open Top - General Service	A3L414C2	\$2,506	xxx	\$3,330
13	53 Hopper - Open Top - Special Service	A3L415C2	\$950	xxx	\$1,262
14	53 Refrigerator - Mechanical	A3L416C2	\$20	xxx	\$27
15	53 Refrigerator - Nonmechanical	A3L417C2	\$1,990	xxx	\$2,644
16	53 Flat - TOFC/COFC	A3L418C2	\$3,533	xxx	\$4,695
17	53 Flat - Multi-level	A3L419C2	\$2,141	xxx	\$2,845
18	53 Flat - General Service	A3L420C2	\$31	xxx	\$41
19	53 Flat - Other	A3L421C2	\$1,358	xxx	\$1,804
20	53 All Other Freight Cars	A3L422C2	\$172	xxx	\$229
21	53 Caboose	A3L423C2	\$384	xxx	\$510
22	53 Auto Racks	A3L424C2	\$1,005	xxx	\$1,335
23	53 Miscellaneous Accessories	A3L425C2	\$7,683	xxx	\$10,209
24	53 Total Freight Cars	xxx	\$38,859	-\$12,776	\$51,635
<u>Other Equipment - Revenue Freight Highway Equipment</u>					
25	55 Refrigerated Trailers	A3L427C2	\$0	xxx	\$0
26	55 Other Trailers	A3L428C2	\$0	xxx	\$0
27	55 Refrigerated Containers	A3L429C2	\$0	xxx	\$0
28	55 Other Containers	A3L430C2	-\$759	xxx	-\$862
29	55 Bogies	A3L431C2	\$0	xxx	\$0
30	55 Chassis	A3L432C2	-\$737	xxx	-\$837
31	55 Other Highway Equipment (Freight)	A3L433C2	\$0	xxx	\$0
32	55 Total Highway Equipment	xxx	-\$1,496	\$203	-\$1,699
<u>Floating Equipment - Revenue Service</u>					
33	56 Marine Line-Haul	A3L434C2	\$0	xxx	\$0
34	56 Local Marine	A3L435C2	\$0	xxx	\$0
35	56 Total Floating Equipment	xxx	\$0	\$0	\$0
<u>Other Equipment</u>					
36	54 Passenger & Other Revenue Equipment	A3L436C2	\$0	\$0	\$0
37	59 Computer Systems & Word Processing	A3L437C2	\$265,945	\$158,289	\$107,656
38	44 Machinery - Locomotives	A3L438C2	\$5,749	1/	\$6,912
39	44 Machinery - Freight Cars	A3L439C2	\$3,934	1/	\$4,730
40	44 Machinery - Other Equipment	A3L440C2	\$403	-\$2,041	\$485
41	57/58 Work and Other Nonrevenue Equipment	A3L441C2	\$45,287	-\$76,082	\$121,369
42	Total Other Equipment	xxx	\$321,318	\$80,166	\$241,152
43	Total All Equipment	xxx	\$684,695	-\$42,175	\$726,870

1/ Total for shop machinery (account 44) shown on line 40.

2/ Column (4) - Column (5), distributed on category in Column (5).

Development of Adjusted Annual Depreciation – BNSF 2010
(Equipment – Schedule 415)

Account (1)	GROSS INVESTMENT		Annual Depreciation Rates (5)	Estimated Annual Depreciation related to Close of Year (6)		Depreciation As Reported In Schedule 415 (8)	Depreciation multiplier (9)	Portion related to purchase restated (10)	Restated Depreciation (11)
	Balance at Close of Yr (2)	Expenditures for purchase/reorg (3)		Without Purchase (4)	related to purchase/reorg (7)				
Equipment Account									
52 Locomotives	\$3,223,851	-\$2,684,821	6.43%	\$5,908,672	-\$172,634	\$326,014	0.6358	-\$109,768	\$435,782
53 Freight train cars	\$1,038,201	-\$675,830	2.66%	\$1,714,031	-\$17,977	\$38,859	0.7107	-\$12,776	\$51,635
54 Passenger cars	\$0	\$0	0.00%	\$0	\$0	\$0	1.0000	\$0	\$0
55 Highway revenue equipment	\$3,422	-\$11,732	-8.70%	\$15,154	\$1,021	-\$1,496	0.1990	\$203	-\$1,699
56 Floating equipment	\$0	\$0	0.00%	\$0	\$0	\$0	1.0000	\$0	\$0
57 Work equipment	\$242,049	-\$16,071	3.38%	\$258,120	-\$543	\$36,555	0.2238	-\$122	\$36,677
58 Misc equipment	\$57,819	-\$341,805	18.32%	\$399,624	-\$62,619	\$8,732	1.2131	-\$75,960	\$84,692
59 Computer systems	\$1,611,460	\$909,251	16.95%	\$702,209	\$154,118	\$265,945	1.0271	\$158,282	\$107,656
Subtotal	\$6,176,802	-\$2,821,008	xxx	\$8,997,810	-\$98,634	\$674,609	xxx	-\$40,133	\$714,742
44 Shop Machinery	\$165,927	-\$72,042	4.15%	\$237,969	-\$2,990	\$10,086	0.6827	-\$2,041	\$12,127
Grand Total	\$6,342,729	-\$2,893,050	xxx	\$9,235,779	-\$101,624	\$684,695	xxx	-\$42,175	\$726,870

Column (2) Sch 330, Col (h) End of year balance for locomotives and freight cars also includes \$715,535 related to restatement due to "change in methodology for equipment awaiting financing."

Column (3) Sch 330, Col (d)

Column (4) Column (2) - Column (3)

Column (5) Sch 332, Col (d)

Column (6) Column (2) x Column (5)

Column (7) Column (3) x Column (5)

Column (8) Sch 415, Column (c) plus (d), amounts combined to equal Schedule 330 category.

Annual depreciation for work and miscellaneous equipment are combined in Schedule 415 so depreciation is allocated based on gross investment.

Column (9) Column (6) / Column (8)

Column (10) Column (7) x Column (9)

Column (11) Column (8) - Column (10)

Development of Adjusted Gross Investment -- BNSF 2010
(Equipment -- Schedule 415)

Sch 415 Line No. (1)		Account (2)	Owned - Column (g)		Capitalize Lease - Column (h)		Asset Write-off In Sch 330, Col (d) (7)	Revised Gross Investment 2/ (8) (9)	
			URCS Source (3)	As Reported In Schedule 415 (4)	URCS Source (5)	As Reported In Schedule 415 (6)		Owned (8)	Capital Lease (9)
Locomotives									
1	52 Diesel Locomotives - Yard	A3L501C1	\$0	A3L501C2	\$0	xxx	-	-	
2	52 Diesel Locomotives - Road	A3L502C1	\$1,970,654	A3L502C2	\$1,126,161	xxx	-	-	
3	52 Other Locomotives - Yard	A3L503C1	\$127,036	A3L503C2	\$0	xxx	-	-	
4	52 Other Locomotives - Road	A3L504C1	\$0	A3L504C2	\$0	xxx	-	-	
5	52 Total Locomotives	xxx	\$2,097,690	xxx	\$1,126,161	-\$2,684,821	-	-	
Freight Train Cars									
6	53 Box - Plain 40 foot	A3L508C1	\$28	A3L508C2	\$0	xxx	-	-	
7	53 Box-Plain 50 foot and longer	A3L509C1	\$24	A3L509C2	\$0	xxx	-	-	
8	53 Box - Equipped	A3L510C1	\$53,611	A3L510C2	\$0	xxx	-	-	
9	53 Gondola - Plain	A3L511C1	\$38,650	A3L511C2	\$0	xxx	-	-	
10	53 Gondola - Equipped	A3L512C1	\$62,816	A3L512C2	\$0	xxx	-	-	
11	53 Hopper - Covered	A3L513C1	\$229,096	A3L513C2	\$136,017	xxx	-	-	
12	53 Hopper - Open Top - General Service	A3L514C1	\$70,904	A3L514C2	\$0	xxx	-	-	
13	53 Hopper - Open Top - Special Service	A3L515C1	\$30,060	A3L515C2	\$9,210	xxx	-	-	
14	53 Refrigerator - Mechanical	A3L516C1	\$107	A3L516C2	\$0	xxx	-	-	
15	53 Refrigerator - Nonmechanical	A3L517C1	\$51,983	A3L517C2	\$0	xxx	-	-	
16	53 Flat - TOFC/COFC	A3L518C1	\$30,769	A3L518C2	\$64,240	xxx	-	-	
17	53 Flat - Multi-level	A3L518C1	\$34,312	A3L518C2	\$66,790	xxx	-	-	
18	53 Flat - General Service	A3L519C1	\$1,268	A3L519C2	\$0	xxx	-	-	
19	53 Flat - Other	A3L520C1	\$5,969	A3L520C2	\$31,311	xxx	-	-	
20	53 All Other Freight Cars	A3L521C1	\$8,605	A3L521C2	\$0	xxx	-	-	
21	53 Caboose	A3L522C1	\$6,766	A3L522C2	\$0	xxx	-	-	
22	53 Auto Racks	A3L523C1	\$18,503	A3L523C2	\$0	xxx	-	-	
23	53 Miscellaneous Accessories	A3L524C1	\$87,162	A3L524C2	\$0	xxx	-	-	
24	53 Total Freight Cars	xxx	\$730,633	xxx	\$307,568	-\$675,830	-	-	
Other Equipment - Revenue Freight Highway Equipment									
25	55 Refrigerated Trailers	A3L527C1	\$0	A3L527C2	\$0	xxx	-	-	
26	55 Other Trailers	A3L528C1	\$0	A3L528C2	\$0	xxx	-	-	
27	55 Refrigerated Containers	A3L529C1	\$0	A3L529C2	\$0	xxx	-	-	
28	55 Other Containers	A3L530C1	\$1,740	A3L530C2	\$0	xxx	-	-	
29	55 Bogies	A3L531C1	\$0	A3L531C2	\$0	xxx	-	-	
30	55 Chassis	A3L532C1	\$1,682	A3L532C2	\$0	xxx	-	-	
31	55 Other Highway Equipment (Freight)	A3L533C1	\$0	A3L533C2	\$0	xxx	-	-	
32	55 Total Highway Equipment	xxx	\$3,422	xxx	\$0	-\$11,732	-	-	
Floating Equipment - Revenue Service									
33	56 Marine Line-Haul	A3L534C1	\$0	A3L534C2	\$0	xxx	-	-	
34	56 Local Marine	A3L535C1	\$0	A3L535C2	\$0	xxx	-	-	
35	56 Total Floating Equipment	xxx	\$0	xxx	\$0	\$0	-	-	
Other Equipment									
36	54 Passenger & Other Revenue Equipment	A3L536C1	\$0	A3L536C2	\$0	\$0	-	-	
37	59 Computer Systems & Word Processing	A3L537C1	\$1,611,460	A3L537C2	\$0	\$909,251	-	-	
38	44 Machinery - Locomotives	A3L538C1	\$94,578	A3L538C2	\$0	1/	-	-	
39	44 Machinery - Freight Cars	A3L539C1	\$64,712	A3L539C2	\$0	1/	-	-	
40	44 Machinery - Other Equipment	A3L540C1	\$6,637	A3L540C2	\$0	-\$72,042	-	-	
41	57/58 Work and Other Nonrevenue Equipment	A3L541C1	\$134,040	A3L541C2	\$165,828	-\$357,876	-	-	
42	Total Other Equipment	xxx	\$1,911,427	xxx	\$165,828	\$479,333	-	-	
43	Total All Equipment	xxx	\$4,743,172	xxx	\$1,599,557	-\$2,893,050	-	-	

1/ Total for shop machinery (account 44) shown on line 40.

2/ Unable to distribute the Column (7) asset write-off without BNSF workpapers.

Development of Adjusted Accumulated Depreciation – BNSF 2010
(Equipment – Schedule 415)

Sch 415 Line No. (1)	Account (2)	Owned - Column (i)		Capitalize Lease - Column (j)		Asset	Revised Gross Investment 2/	
		URCS	As Reported In	URCS	As Reported In	Write-off In	Owned	Capital Lease
		Source (3)	Schedule 415 (4)	Source (5)	Schedule 415 (6)	Sch 335, Col (f) (7)	(8)	(9)
Locomotives								
1	52 Diesel Locomotives - Yard	A3L501C4	\$0	A3L501C5	\$0	xxx	-	-
2	52 Diesel Locomotives - Road	A3L502C4	\$130,434	A3L502C5	\$90,202	xxx	-	-
3	52 Other Locomotives - Yard	A3L503C4	\$21,658	A3L503C5	\$0	xxx	-	-
4	52 Other Locomotives - Road	A3L504C4	\$0	A3L504C5	\$0	xxx	-	-
5	52 Total Locomotives	xxx	\$152,092	xxx	\$90,202	\$1,995,058	-	-
Freight Train Cars								
6	53 Box - Plain 40 foot	A3L508C4	-\$1	A3L508C5	\$0	xxx	-	-
7	53 Box-Plain 50 foot and longer	A3L509C4	\$5	A3L509C5	\$0	xxx	-	-
8	53 Box - Equipped	A3L510C4	-\$1,024	A3L510C5	\$0	xxx	-	-
9	53 Gondola - Plain	A3L511C4	-\$884	A3L511C5	\$0	xxx	-	-
10	53 Gondola - Equipped	A3L512C4	-\$941	A3L512C5	\$0	xxx	-	-
11	53 Hopper - Covered	A3L513C4	-\$3,480	A3L513C5	\$3,300	xxx	-	-
12	53 Hopper - Open Top - General Service	A3L514C4	-\$1,162	A3L514C5	\$0	xxx	-	-
13	53 Hopper - Open Top - Special Service	A3L515C4	-\$347	A3L515C5	\$192	xxx	-	-
14	53 Refrigerator - Mechanical	A3L516C4	-\$9	A3L516C5	\$0	xxx	-	-
15	53 Refrigerator - Nonmechanical	A3L517C4	-\$923	A3L517C5	\$0	xxx	-	-
16	53 Flat - TOFC/COFC	A3L518C4	-\$606	A3L518C5	\$2,132	xxx	-	-
17	53 Flat - Multi-level	A3L518C4	-\$187	A3L518C5	\$1,665	xxx	-	-
18	53 Flat - General Service	A3L519C4	-\$14	A3L519C5	\$0	xxx	-	-
19	53 Flat - Other	A3L520C4	-\$224	A3L520C5	\$839	xxx	-	-
20	53 All Other Freight Cars	A3L521C4	-\$80	A3L521C5	\$0	xxx	-	-
21	53 Cabooses	A3L522C4	-\$178	A3L522C5	\$0	xxx	-	-
22	53 Auto Racks	A3L523C4	-\$466	A3L523C5	\$0	xxx	-	-
23	53 Miscellaneous Accessories	A3L524C4	-\$3,562	A3L524C5	\$0	xxx	-	-
24	53 Total Freight Cars	xxx	-\$14,083	xxx	\$8,128	\$429,870	-	-
Other Equipment - Revenue Freight Highway Equipment								
25	55 Refrigerated Trailers	A3L527C4	\$0	A3L527C5	\$0	xxx	-	-
26	55 Other Trailers	A3L528C4	\$0	A3L528C5	\$0	xxx	-	-
27	55 Refrigerated Containers	A3L529C4	\$0	A3L529C5	\$0	xxx	-	-
28	55 Other Containers	A3L530C4	-\$671	A3L530C5	\$0	xxx	-	-
29	55 Bogies	A3L531C4	\$0	A3L531C5	\$0	xxx	-	-
30	55 Chassis	A3L532C4	-\$652	A3L532C5	\$0	xxx	-	-
31	55 Other Highway Equipment (Freight)	A3L533C4	\$0	A3L533C5	\$0	xxx	-	-
32	55 Total Highway Equipment	xxx	-\$1,323	xxx	\$0	\$10,206	-	-
Floating Equipment - Revenue Service								
33	56 Marine Line-Haul	A3L534C4	\$0	A3L534C5	\$0	xxx	-	-
34	56 Local Marine	A3L535C4	\$0	A3L535C5	\$0	xxx	-	-
35	56 Total Floating Equipment	xxx	\$0	xxx	\$0	\$0	-	-
Other Equipment								
36	54 Passenger & Other Revenue Equipment	A3L536C4	\$0	A3L536C5	\$0	\$0	-	-
37	59 Computer Systems & Word Processing	A3L537C4	\$283,935	A3L537C5	\$0	\$299,424	-	-
38	44 Machinery - Locomotives	A3L538C4	\$5,600	A3L538C5	\$0	1/	-	-
39	44 Machinery - Freight Cars	A3L539C4	\$3,832	A3L539C5	\$0	1/	-	-
40	44 Machinery - Other Equipment	A3L540C4	\$393	A3L540C5	\$0	\$102,629	-	-
41	57/58 Work and Other Nonrevenue Equipment	A3L541C4	-\$52,401	A3L541C5	\$41,468	\$296,283	-	-
42	Total Other Equipment	xxx	\$241,359	xxx	\$41,468	\$698,336	-	-
43	Total All Equipment	xxx	\$378,045	xxx	\$139,798	\$3,133,470	-	-

1/ Total for shop machinery (account 44) shown on line 40

2/ Unable to distribute the Column (7) asset write-off without BNSF workpapers

ATTACHMENT NO. 4

**Work Papers Required to Analyze Acquisition
Premium Included In BNSF 2010 Annual Report R-1**

1. Provide all work papers supporting the development of accumulated deferred income tax credits shown on Schedule 200, Column (b) of the 2010 BNSF Annual Report R-1.
2. Provide all work papers supporting the development of the values for “expenditures during the year for purchase of existing lines, reorganization, etc.” shown on Schedule 330, Column (d) of the 2010 BNSF Annual Report R-1.
3. Provide all work papers supporting the development of the debits to reserve shown on Schedule 335, Column (f) of the 2010 BNSF Annual Report R-1.
4. Provide all work papers supporting the development of the depreciation values for maintenance of way expenses in Schedule 410, Lines 136, 137, and 138, including the work papers required to tie these monies to the monies in Schedule 412, Column (b) of the 2010 BNSF Annual Report R-1.
5. Provide all work papers supporting the development of the annual depreciation for owned and capitalized leases, by account, shown on Schedule 412, Column (b) of the 2010 BNSF Annual Report R-1.
6. Provide all work papers supporting the development of the annual depreciation for owned and capitalized leases, by account, shown on Schedule 415, Column (c) and Column (d) of the 2010 BNSF Annual Report R-1.
7. Provide all work papers supporting the development of the gross investment for owned and capitalized leases, by account, shown on Schedule 415, Column (g) and Column (h) of the 2011 R-1. 2010 BNSF Annual Report R-1.
8. Provide all work papers supporting the development of the accumulated depreciation for owned and capitalized leases, by account, shown on Schedule 415, Column (i) and Column (j) of the 2010 BNSF Annual Report R-1.